



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF HUMAN SERVICES  
LANSING



MARIANNE UDOW  
DIRECTOR

March 29, 2006

The Honorable Bill Hardiman, Chair  
Senate Appropriations Subcommittee on DHS  
Michigan State Senate  
Lansing, Michigan 48933

The Honorable Rick Shaffer, Chair  
House Appropriations Subcommittee on DHS  
Michigan House of Representatives  
Lansing, Michigan 48933

Dear Senator Hardiman and Representative Shaffer:

Section 675 of 2005 Public Act 147 (Enrolled Senate Bill No. 271) requires the Michigan Department of Human Services (MDHS) to provide a report on potential costs to implement a child day care rate structure that more accurately reflects the costs of care by vicinity based on the current Market Rate Survey (MRS).

There are two charts attached. One shows the cost to implement the MRS with the current shelter areas and the other shows the cost to implement the MRS based on proposed vicinities. The proposed vicinities are based on the format used by the U.S. Census Bureau using rural counties, micropolitan counties and metropolitan counties.

Our analyses show that increasing our rates to the 75<sup>th</sup> percentile of current market rates would cost about \$412 million per year using current shelter areas. Increasing the rates based on proposed vicinities would cost approximately \$515 million.

The note at the bottom of each attached chart includes the term "department pay percent." This is determined by eligibility category, family size and family income and is Michigan's mechanism for implementing a "sliding fee scale" as required by federal regulations.

If you have any questions, please contact John Sorbet, chief administrative officer, at 373-7787.

Sincerely,

Marianne Udow

c: Senate and House Appropriations Committees  
Senate and House Fiscal Agencies  
Senate and House Policy Offices  
State Budget Director

**MICHIGAN DEPARTMENT OF HUMAN SERVICES**  
**Child Development and Care Program**  
**Revised Market Rate Costs – Rate Areas Unchanged**

**CDC PAYMENT RATE GROUPINGS**  
**Unchanged From Current**

Shelter Area I	Shelter Area II	Shelter Area III
2 Alger	6 Arenac	1 Alcona
7 Baraga	17 Chippewa	10 Benzie
27 Gogebic	21 Delta	16 Cheboygan
32 Huron	31 Houghton	20 Crawford
36 Iron	35 Iosco	22 Dickinson
42 Keweenaw	43 Lake	30 Hillsdale
48 Luce	51 Manistee	38 Jackson
54 Mecosta	64 Oceana	40 Kalkaska
55 Menominee	66 Ontonagon	49 Mackinac
71 Presque Isle	67 Osceola	53 Mason
77 Schoolcraft	68 Oscoda	57 Missaukee
		59 Montcalm
		61 Muskegon
		62 Newaygo
		65 Ogemaw
		76 Sanilac
		83 Wexford
Shelter Area IV	Shelter Area V	Shelter Area VI
3 Allegan	37 Isabella	8 Barry
4 Alpena	52 Marquette	9 Bay
5 Antrim	60 Montmorency	19 Clinton
11 Berrien	72 Roscommon	23 Eaton
12 Branch	75 St. Joseph	28 Grand Traverse
13 Calhoun	78 Shiawassee	39 Kalamazoo
14 Cass	79 Tuscola	41 Kent
15 Charlevoix	82 Wayne	44 Lapeer
18 Clare		45 Leelanau
24 Emmet		46 Lenawee
26 Gladwin		56 Midland
29 Gratiot		69 Otsego
34 Ionia		70 Ottawa
		73 Saginaw
		80 Van Buren

**75th PERCENTILE HOURLY MAXIMUM RATES**  
**As Determined by Market Rate Survey Conducted by DHS in 2005**

Child Age:	<1 yr	1 yr	2 yr	3 yr	4 yr	School
Child Care Centers	SA I	\$3.25	\$3.25	\$3.33	\$2.80	\$2.76
	SA II	\$3.25	\$3.25	\$3.03	\$2.51	\$2.51
	SA III	\$3.75	\$3.75	\$3.75	\$3.00	\$3.11
	SA IV	\$6.34	\$6.17	\$5.41	\$4.11	\$3.89
	SA V	\$3.86	\$3.85	\$3.75	\$3.64	\$3.72
	SA VI	\$6.00	\$6.00	\$6.00	\$4.56	\$4.28
Family Child Care Homes	SA I	\$2.75	\$2.50	\$2.50	\$2.50	\$2.50
	SA II	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50
	SA III	\$3.00	\$2.75	\$2.75	\$2.50	\$2.50
	SA IV	\$3.00	\$3.25	\$3.25	\$3.00	\$3.25
	SA V	\$3.50	\$3.23	\$3.00	\$3.00	\$3.19
	SA VI	\$3.50	\$3.50	\$3.50	\$3.50	\$3.50
Group Child Care Homes	SA I	\$2.75	\$2.75	\$2.50	\$2.50	\$2.50
	SA II	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50
	SA III	\$2.70	\$2.50	\$2.50	\$2.50	\$2.50
	SA IV	\$3.00	\$3.00	\$2.75	\$2.50	\$3.00
	SA V	\$3.25	\$3.00	\$3.00	\$3.00	\$3.00
	SA VI	\$4.07	\$4.00	\$3.50	\$3.50	\$3.50
Relative Homes	SA I	\$2.30	\$2.00	\$2.25	\$2.00	\$2.00
	SA II	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50
	SA III	\$5.05	\$5.15	\$5.15	\$4.61	\$4.66
	SA IV	\$2.50	\$2.50	\$2.00	\$2.00	\$2.00
	SA V	\$3.27	\$3.00	\$3.00	\$3.07	\$3.00
	SA VI	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00
In-home Child Care Aides	SA I	\$2.50	\$2.56	\$2.38	\$2.00	\$2.00
	SA II	\$2.33	\$2.25	\$2.26	\$2.50	\$2.29
	SA III	\$5.00	\$5.00	\$4.00	\$2.00	\$2.00
	SA IV	\$2.07	\$2.76	\$2.00	\$2.60	\$2.34
	SA V	\$4.52	\$4.88	\$4.48	\$4.73	\$2.65
	SA VI	\$2.72	\$8.00	\$3.31	\$2.66	\$3.38

Overall, the potential cost to increase rates to the 75<sup>th</sup> percentile of market rates, while leaving the current shelter areas in place, would be 95%, or about \$412 million per year. In-home child care aides in Shelter Area IV would see the largest increase at 297%. Remaining unregulated providers (aides and relative child care providers) range from 151% for child care aides in Shelter Area VI to a low of 12% for relative providers in Shelter Area I. Regulated providers (child care centers and homes) top out at 103% for child care centers in Shelter Area IV and dip to a low of 22% for family child care homes in Shelter Area I.

Note: Current payment data was retrieved from the data warehouse. One summer pay period (515) and three school-year pay periods (602, 603, 604) were recalculated assuming payment at the 75<sup>th</sup> percentile for all. The new, simulated payments used this formula: Paid Hours X Department Pay Percent X 75<sup>th</sup> percentile maximum rate. The four pay periods were averaged and the result multiplied by 26 to derive the twelve-month figure.

**MICHIGAN DEPARTMENT OF HUMAN SERVICES**  
**Child Development and Care Program**  
**Revised Rate Area Market Rate Costs**

**ALTERNATE CDC PAYMENT RATE GROUPINGS**  
Based on Type of County (Rural/Micropolitan/Metropolitan\*)

Rural Counties	Micropolitan Counties	Metropolitan Counties
1 Alcona	3 Allegan	8 Barry
2 Alger	4 Alpena	9 Bay
5 Antrim	10 Benzie	11 Berrien
6 Arenac	12 Branch	13 Calhoun
7 Baraga	17 Chippewa	14 Cass
15 Charlevoix	21 Delta	19 Clinton
16 Cheboygan	22 Dickinson	23 Eaton
18 Clare	28 Grand Traverse	25 Genesee
20 Crawford	29 Gratiot	33 Ingham
24 Emmet	31 Houghton	34 Ionia
26 Gladwin	37 Isabella	38 Jackson
27 Gogebic	40 Kalkaska	39 Kalamazoo
30 Hillsdale	42 Keweenaw	41 Kent
32 Huron	45 Leelanau	44 Lapeer
35 Iosco	46 Lenawee	47 Livingston
36 Iron	52 Marquette	50 Macomb
43 Lake	54 Mecosta	58 Monroe
48 Luce	55 Menominee	61 Muskegon
49 Mackinac	56 Midland	62 Newaygo
51 Manistee	57 Missaukee	63 Oakland
53 Mason	75 St. Joseph	70 Ottawa
59 Montcalm	78 Shiawassee	73 Saginaw
60 Montmorency	83 Wexford	74 St. Clair
64 Oceana		80 Van Buren
65 Ogemaw		81 Washtenaw
66 Ontonagon		82 Wayne
67 Osceola		
68 Oscoda		
69 Otsego		
71 Presque Isle		
72 Roscommon		
76 Sanilac		
77 Schoolcraft		
79 Tuscola		

\*Metropolitan/Micropolitan/Rural designation (as defined by OMB) obtained from Population Division, U. S. Census Bureau, revised 1/19/2006  
[www.census.gov/population/estimates/metro\\_general/list3.xls](http://www.census.gov/population/estimates/metro_general/list3.xls)

**75th PERCENTILE RATES**

As Determined by Market Rate Survey Conducted by DHS in 2005

Day Care Centers - Maximum Hourly Rates						
	<1 yr old	1 yr olds	2 yr olds	3 yr olds	4 yr olds	school age
Rural	\$ 3.00	\$ 3.00	\$ 3.00	\$ 2.75	\$ 2.75	\$ 2.75
Micropolitan	\$ 3.25	\$ 3.25	\$ 3.32	\$ 3.41	\$ 3.50	\$ 4.00
Metropolitan	\$ 5.00	\$ 5.00	\$ 4.65	\$ 4.37	\$ 4.17	\$ 5.00

Family Day Care Homes - Maximum Hourly Rates						
	<1 yr old	1 yr olds	2 yr olds	3 yr olds	4 yr olds	school age
Rural	\$ 2.75	\$ 2.75	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
Micropolitan	\$ 3.00	\$ 3.00	\$ 3.00	\$ 2.75	\$ 2.75	\$ 2.75
Metropolitan	\$ 3.34	\$ 3.50	\$ 3.25	\$ 3.25	\$ 3.25	\$ 3.25

Group Day Care Homes - Maximum Hourly Rates						
	<1 yr old	1 yr olds	2 yr olds	3 yr olds	4 yr olds	school age
Rural	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
Micropolitan	\$ 3.00	\$ 2.75	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
Metropolitan	\$ 3.43	\$ 3.30	\$ 3.17	\$ 3.25	\$ 3.00	\$ 3.00

Relative Day Care Providers - Maximum Hourly Rates						
	<1 yr old	1 yr olds	2 yr olds	3 yr olds	4 yr olds	school age
Rural	\$ 2.50	\$ 2.50	\$ 2.36	\$ 2.25	\$ 2.26	\$ 2.00
Micropolitan	\$ 2.70	\$ 2.50	\$ 2.55	\$ 2.50	\$ 2.30	\$ 2.37
Metropolitan	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 3.00

In-Home Day Care Aides - Maximum Hourly Rates						
	<1 yr old	1 yr olds	2 yr olds	3 yr olds	4 yr olds	school age
Rural	\$ 2.24	\$ 2.00	\$ 2.47	\$ 2.01	\$ 2.00	\$ 2.00
Micropolitan	\$ 2.25	\$ 2.25	\$ 2.15	\$ 2.37	\$ 2.25	\$ 2.17
Metropolitan	\$ 5.00	\$ 5.00	\$ 4.00	\$ 3.03	\$ 2.65	\$ 8.00

Overall, the potential cost to revise rate areas and increase rates to the 75<sup>th</sup> percentile of market rates would be 119%, or about \$515 million per year. In-home day care aides in metropolitan areas would see by far the largest increase at 314%. The next biggest increases, also in metropolitan areas, are 81% for day care centers and 73% for relative day care providers. Other provider types/areas would see increases between 17% and 46%.

Note: Current payment data was retrieved from the data warehouse. One summer pay period (515) and three school-year pay periods (602, 603, 604) were recalculated assuming payment at the 75<sup>th</sup> percentile for all. The new, simulated payments used this formula: Paid Hours X Department Pay Percent X 75<sup>th</sup> percentile maximum rate. The four pay periods were averaged and the result multiplied by 26 to derive the twelve-month figure.